

Message Text

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PAGE 01 THE HA 04085 120816Z
ACTION EUR-12

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E.O. 11652: N/A

TAGS: ECON, RWHBDRQYUX AGREEMENT BY POTENTIAL COALITION PARTIES ON AN
INCOMES
POLICY

REF: THE HAGUE 3472, THE HAGUE 3839

1. THE PROCESS OF FORMING A NEW DUTCH GOVERNMENT, NOW IN ITS
TENTH WEEK, CLEARED ANOTHER MAJOR HURDLE AUGUST 9 WITH
AGREEMENT TO CONTINUE THE BASIC ECONOMIC AND SOCIAL POLICIES
OF THE FORMER CABINET. AN INCOMES POLICY IS THE KEY TO THE
AGREEMENT.

2. THE AIM OF THE 18-POINT ECONOMIC AND SOCIAL GUIDELINES
ADOPTED BY PRIME MINISTER DEN UYL (IN HIS ROLE AS CABINET
"FORMATEUR") AND THE PARLIAMENTARY FLOOR LEADERS OF THE THREE
POTENTIAL COALITION PARTIES (LABOR, THE CHRISTIAN DEMOCRATS
AND THE SMALL "DEMOCRATS '66") IS TO CUT BACK UNEMPLOYMENT FROM
ITS PRESENT LEVEL OF 213,000 (5.5 PERCENT) TO 150,000

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(UNDER FOUR PERCENT) BY 1881). ACTING ON THE BELIEF THAT
INVESTMENT IS THE KEY TO DUTCH ECONOMIC RECOVERY AND HENCE
TO CREATE JOBS, THE CONFEREES AGREED TO HELP THE PRIVATE
SECTOR BY RESTRAINING THE GROWTH OF THE PUBLIC SECTOR. TO THIS
END, THEY WILL SEEK TO MAKE ANOTHER FOUR BILLION GUILDER
(EQUAL TO \$1,640 MILLION) CUT IN PUBLIC SPENDING BY 1981 TO
BRING THE GROWTH OF THE PUBLIC SECTOR AS A SHARE OF PRO-

JECTED GNP DOWN TO ONE PERCENTAGE POINT A YEAR.
(FINANCE MINISTER DUISENBERG HAS REPEATDLY STATED THAT PUBLIC EXPENDITURES SHOULD BE CUT STILL FURTHER.) SINCE THE CENTRAL PLANNING BUREAU ESTIMATED THAT THIS SO CALLED "ONE PERCENT ROUND" WOULD NOT HAVE A SIGNIFICANT ENOUGH EFFECT ON INFLATION TO ALLOW BUSINESS TO RESTORE ITS PROFITS AND DECIDE ON JOB-CREATING INVESTMENTS, THE THREE PARTIES ALSO AGREED TO A TWO-YEAR FREEZE ON REAL WAGES.

3. THE WAGE FREEZE WOULD MEAN THAT THE "MODAL" WORKER (MARRIED, TWO CHILDREN, EARNING 28,000 GUILDERS A YEAR) AND THOSE WITH LOWER WAGES WOULD OBTAIN COMPENSATION FOR COST-OF-LIVING INCREASES BUT NOT RECEIVE OTHER PAY RAISES. WORKERS WITH HIGHER INCOMES WOULD SUFFER A LOSS OF REAL DISPOSABLE INCOME. ALTHOUGH LABOR LEADER WIM KOK HAS EXPRESSED DOUBT ABOUT THE EFFECTIVENESS OF A FREEZE AS A JOB-CREATING DEVICE, THE POLITICAL PARTIES MAY EXPECT TO OBTAIN UNION SUPPORT BY THEIR PROPOSALS FOR EXCESS PROFIT SHARING (THE HAGUE 3839) AND EXPANDED POWERS FOR WORKS COUNCILS.

4. DEN UYL TOLD A PRESS CONFERENCE AFTER THE ANNOUNCEMENT OF THE AGREEMENT THAT THE CABINET FORMATION COULD STILL TAKE SOME WEEKS. HE PLANS TO APPROACH HIS TASK IN THREE STAGES: AGREEMENT ON THE REMAINING POLICY ISSUES: AGREEMENT ON THE REMAINING POLICY ISSUES, DISTRIBUTION OF MINISTERIAL PORTFOLIOS AMONG THE PARTIES AND FINDING THE RIGHT LIMITED OFFICIAL USE

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PEOPLE TO FILL THE MINISTERIAL JOBS. HE SAID HE INTENDED TO LIMIT DISCUSSION OF POLICY ISSUES TO EIGHT OR NINE, BUT THESE INCLUDE THE CONTENTIOUS SUBJECTS OF ABORTION AND NUCLEAR ENERGY.
BROWN

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